

## **SUMMARY OF FEDERAL REHABILITATION TAX CREDITS**

### **What are the Rehabilitation Tax Credits?**

There is a 20% Investment Tax Credit (ITC) available for rehabilitating historic buildings. The ITC is based on a percentage of the rehabilitation costs and does not include the purchase price. The tax credit applies to the building owner's federal income tax over 5 years after the project is completed and approved. Note: this is a tax credit not just a deduction.

Example: 20% of a \$50,000 rehabilitation = \$10,000 tax credit

### **Which Buildings Qualify?**

The historic rehabilitation tax credit (20%) is available for buildings listed in the National Register of Historic Places which, after rehabilitation, are used for commercial or residential rental use. The ITC is not available for the rehabilitation of a private, owner-occupied residence.

### **What Rehabilitation Work Qualifies?**

Any work on the interior or exterior of the building qualifies for the tax credit. Landscaping or new additions to the building do not qualify. The work must be reviewed by the SHPO and certified by the National Park Service. This is done by completing an application and submitting it to the SHPO along with "before" and "after" photographs showing all work areas (interior and exterior).

### **How Much Money Must be Spent in Order to Qualify for the ITC?**

The rehabilitation expenditures must exceed the greater of either the "adjusted basis" of the building or \$5,000. "Adjusted basis" is the purchase price minus the value of the land minus any depreciation already taken by the current owner plus any capital improvements.

Example (recent purchase): \$60,000 (purchase price) - \$7,000 (land) = \$53,000 (adjusted basis); rehabilitation expenses must exceed \$53,000

Example (long-time ownership): \$60,000 (purchase price) - \$40,000 (depreciation) - \$7,000 (land) + \$5,000 (capital improvement) = \$18,000 (adjusted basis); rehabilitation expenses must exceed \$18,000

### **When Can a Rehabilitated Building be Sold?**

A building must be kept at least five years in order to avoid any recapture of the tax credit by the federal government. The recapture amount ranges from 100% of the tax credit if the building is sold within the first year, to 20% of the tax credit if it is sold within the fifth year.

**For more information:** [http://www.oregon.gov/OPRD/HCD/SHPO/FED\\_TAXCREDIT\\_NEW.shtml](http://www.oregon.gov/OPRD/HCD/SHPO/FED_TAXCREDIT_NEW.shtml)

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